



Dear Community Leaders;

With the dramatic changes that took place in the U.S. economy during the last quarter of 2008, everyone is watching the opening of 2009 with great caution and anticipation that things will improve. Mountain Home and Baxter County will unquestionably feel the effects of a slow-down in the national economy, but the impact may be less here than in other places in the country. Our retirement sector will continue to provide constant disposable income in the local economy, and our quality of life and low taxes will continue to make our area attractive to people considering retirement. Our education system and health providers will continue to provide strong employment and will be attractive elements in the total perceived value of living in the Twin Lakes Area. Our local community banks are profitable, healthy, and strong, and have not experienced the massive losses that have dominated the headlines during the last eighteen months.

All in all, this area is well-positioned to rebound quickly when the national economy begins its recovery. First Security Bank is committed to helping the citizens of our area in any way possible to ensure the continuing growth of our community. If we may be of assistance, please do not hesitate to contact us at (870) 425-2166.

Sincerely,

A handwritten signature in cursive script that reads "Larry Nelson".

Larry Nelson
Chief Executive Officer
First Security Bank

2008 ECONOMIC REPORT FOR MOUNTAIN HOME AND BAXTER COUNTY

2008 SUMMARY

The 2000 census showed that the population in Baxter County was at 38,386, a 4.9% increase from the 1990 census. Baxter County grew from 31,186 people in 1990 because of more Midwest retirees settling in the area and jobs generated from the growing health care industry and an expanding Arkansas State University at Mountain Home. Baxter County was the 12th fastest-growing county in the state. Mountain Home's population was at 11,012, an 8.5% increase over 1990. Surpassing the 10,000-population mark is an economic milestone, since many businesses and industries planning new locations usually use that as their baseline figure. The next census will be in 2010 and Baxter County should show an increase according to predictions. The Census Bureau has an estimated the population for Mountain Home in 2008 to be over 12,000 and Baxter County to be over 41,950.

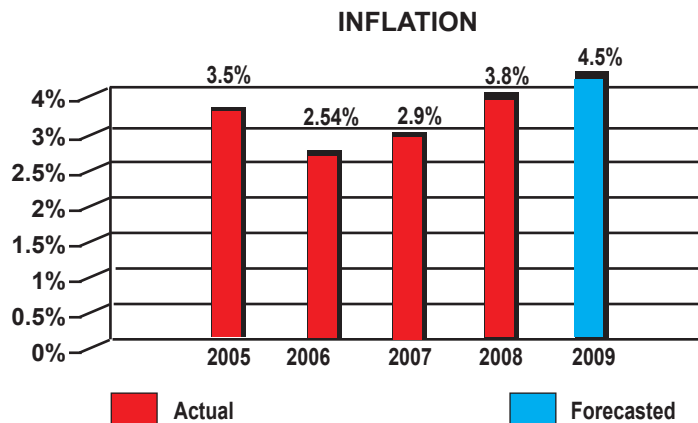
The assessed value of property in Baxter County increased just over 1% in 2008. Real estate sales in 2008 (through the Multiple Listing Service) decreased 50% from sales in 2007.

In 2008, motor vehicle registration in Baxter County was at 55,951 vehicles. This is an increase of 1,537 over 2007.

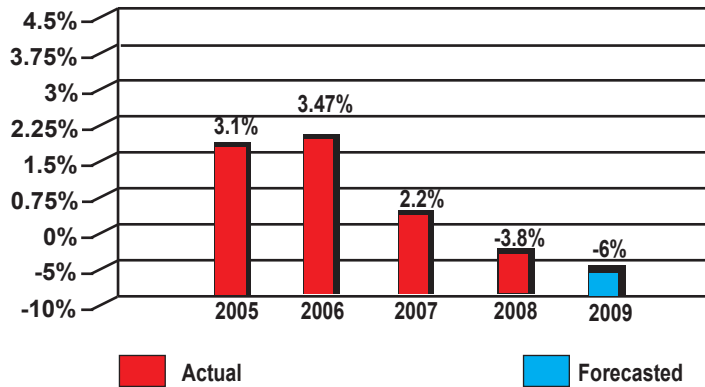
In December 2008, Baxter County had an unemployment rate of 6.9% with a 5.7% rate for the year. The Arkansas unemployment rate for 2008 was at 6.2%, while the national rate was 7.2%. Local tax receipts generated by tourism in Baxter County are currently \$3.5 million.

NATIONAL ECONOMY

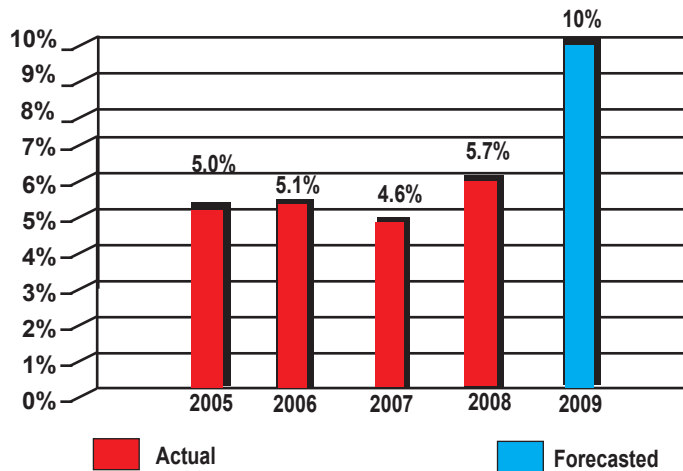
Set forth below are actual, estimated and forecasted data with respect to gross domestic product, inflation, and unemployment for the nation:



GROSS DOMESTIC PRODUCT



UNEMPLOYMENT



MOUNTAIN HOME AND BAXTER COUNTY ECONOMY

Mountain Home is located in Baxter County, which is in north central Arkansas in the Ozark Mountains. The city is located 150 miles north of Little Rock, Arkansas, and 110 miles southeast of Springfield, Missouri.

The following table sets forth the population trends for the city and county since 1980.

| <u>Year</u> | <u>City</u> | <u>County</u> |
|-------------|-------------|---------------|
| 1980 | 7,447 | 27,409 |
| 1990 | 9,027 | 31,186 |
| 1995 | 10,010 | 35,666 |
| 1997 | 10,150 | 36,578 |
| 2000 | 11,012 | 38,386 |

The Censes Bureau estimate in 2008 for Mountain Home is over 12,000 and Baxter County over 41,950.

Mountain Home is served by U.S. Highway 412/62 and Arkansas Highways 5 and 201. The city is served by Ozark Regional Airport, which sits on 338 acres on State Highway 126. It features a paved, lighted 5,000-foot runway and a 6,800- square-foot terminal. The airport has 46 hangers on the grounds with all of them full. The local Chapter of the Civil Air Patrol has 50 volunteers and one on-site aircraft. It provides training for cadets and emergency assistance throughout northern Arkansas.

The city operates under the mayor-city council form of government. The Mayor serves a four-year term, while members of the City Council serve two-year terms. The City Council consists of eight aldermen whose current terms will expire December 31, 2009. The Mayor is David Osmon, and his current term will expire December 31, 2011. The current city budget is \$22.6 million.

Baxter County is served by Baxter Regional Medical Center. The hospital has a total of 268 beds and serves patients from 14 counties. The hospital has a staff of over 100 physicians representing 23 specialties, 7 dentists, over 1,300 employees and more than 500 active volunteers. The hospital provides services ranging from Home Health to Cardiac Rehabilitation. Baxter Regional Medical Center also has four Community houses; the Peitz Cancer Support House; the Schlieman Women's Center; the Center on Aging; and the Reppell Diabetes Learning Center. All of these houses provide outreach programs to the surrounding community with over 95% of the services provided for free.

The Mountain Home School District is the largest in the area and is fully accredited by the North Central Association. Our schools must apply and meet rigorous standards to become a member of this association. The district strives to maintain the highest educational goals for the children of the community. There are six campuses in the system, including a separate kindergarten building, a high school, junior high, middle school, and two elementary sites. The high school's Career Academics program, which brings business leaders to the school and students out to the workplace, was selected as a leadership model for similar rural community programs nationwide. The Mountain Home test scores are above the state and national average and meets the adequate yearly progress as mandated by the states No Child Left Behind law. With the recent passage of the bond referendum the school district will break ground on a new grade 3 - 5 building. Also there will be additions to four existing buildings with a completion date for all projects of 2011.

Arkansas State University-Mountain Home continues to experience growth in scholarship distributions, budget, and number of full-time employees. The school's budget for 2008-2009 is \$8,328,000. The fall enrollment of 2008 was at 1,296 students, up from the fall of 2007. Through their affiliation with the main campus in Jonesboro, it is possible to earn a bachelor and master's degree at ASU Mountain Home. There are 186 students pursuing their master's or bachelor's degree enrolled in the Jonesboro program attending classes at the Mountain Home Campus.

The Mountain Home area enjoys a well-balanced economy consisting of six main components:

- A diverse base of employers, including large manufacturers
- A strong retail market attracting customers from seven surrounding counties

- A nationally known tourism market
- A stable, relatively affluent retiree/senior population
- A regional provider of healthcare services
- A progressive network of telecommunication and transportation services

The major employers within Baxter County are set forth below:

| <u>Employer</u> | <u>Employees</u> |
|--------------------------------|-------------------------|
| Tourism industry | 2,230 |
| Baxter Regional Medical Center | 1,300 |
| Baxter Healthcare Corp. | 1,000 |
| Mountain Home Public Schools | 550 |
| Wal-Mart | 525 |
| Eaton/Aeroquip | 483 |
| Assisted Health Care | 410 |
| Baxter County | 235 |
| City of Mountain Home | 200 |
| Epoxyn | 190 |
| Lowe's | 125 |
| ASU Mountain Home | 113 |
| Home Depot | 107 |

There are currently eleven banks with offices in Mountain Home. They are: First Security Bank; First Federal Bank; First National Bank & Trust; Liberty Bank; Arvest Bank; Bank of America; US Bank; Bank of the Ozarks; Community First National Bank; First National Banking Company, and Twin Lakes Community Bank. These banks had the following combined deposits in Baxter County for the following years.

| <u>Year</u> | <u>Total Deposits</u> | <u>Number of banks</u> |
|--------------------|------------------------------|-------------------------------|
| 2004 | 704,922,000 | 9 |
| 2005 | 735,735,000 | 9 |
| 2006 | 895,660,000 | 10 |
| 2007 | 939,132,000 | 10 |
| 2008 | 915,204,000 | 11 |

Baxter County has a civilian labor force of 17,775. Of that population, 77.5% are high school graduates and 13% are college graduates. The most recent per capita personal income is \$30,524 with the median Family income currently at \$35,845, Baxter County ranks 28th in the state. In 2008, the percentage of population aged 65 and older was 26.3% of the total population for Baxter County.

In 2008 Mountain Home issued 995 business licenses. There are 27 businesses that are exempt from license requirements per an Arkansas State Statute. In 2008 there were 87 new business licenses issued in Mountain Home. In 2008 Baxter County's 1% sales tax brought in \$6,121,063.

Listed below are the number of parcels and the value of real estate sold through the MLS in Baxter County area for the last three year:

| <u>Year</u> | <u>Number of Parcels</u> | <u>Value</u> |
|-------------|--------------------------|--------------|
| 2006 | 1,789 | 196,064,612 |
| 2007 | 987 | 132,290,977 |
| 2008 | 490 | 65,930,977 |

The City of Mountain Home issued the following number of building permits in the last five years: (These figures do not include structures other than buildings. Additions, remodeling projects, garages and carports are not included)

| | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> |
|--|--------------|--------------|--------------|--------------|-------------|
| <u>Single-Family Residences</u> | 30 | 72 | 63 | 23 | 10 |
| <u>Multi-Family Units</u> | 35 | 14 | 8 | 11 | 0 |
| <u>Non-Residential Building</u> | 40 | 32 | 24 | 16 | 11 |
| <u>Totals</u> | <u>105</u> | <u>118</u> | <u>95</u> | <u>50</u> | <u>21</u> |
| Value of All Building Permits | \$26,625,044 | \$29,438,684 | \$26,197,497 | \$23,756,498 | \$8,873,623 |

The assessed valuation of real and personal taxable property in Baxter County for the last five years is:

| <u>Year</u> | <u>Amount</u> |
|-------------|---------------|
| 2004 | 564,033,880 |
| 2005 | 507,237,333 |
| 2006 | 569,386,247 |
| 2007 | 582,738,720 |
| 2008 | 617,930,171 |

Below are the sales and use tax distributions breakdown for Baxter County's 1% tax for the last five years

| <u>Year</u> | <u>MH share</u> | <u>Other cities</u> | <u>Baxter Co</u> | <u>Total</u> |
|-------------|-----------------|---------------------|------------------|--------------|
| 2004 | 1,359,545 | 364,704 | 2,804,895 | 4,739,148 |
| 2005 | 1,509,195 | 637,965 | 3,113,640 | 5,260,804 |
| 2006 | 1,627,667 | 688,046 | 3,385,061 | 5,673,776 |
| 2007 | 1,688,238 | 713,651 | 3,483,026 | 5,884,917 |
| 2008 | 1,755,982 | 742,287 | 3,622,790 | 6,121,063 |

Below are the sales tax generated by the 1% Mountain Home sales tax for the last five years

| <u>Year</u> | <u>Mountain Home</u> |
|-------------|----------------------|
| 2004 | 3,285,985 |
| 2005 | 3,807,499 |
| 2006 | 3,975,918 |
| 2007 | 4,162,569 |
| 2008 | 4,341,603 |

The current city budget for Mountain Home is \$22.6 million.

Set forth below are the unemployment percentage rates for Baxter County since 2004, based on fourth quarter figures:

| <u>Year</u> | <u>Rate</u> |
|-------------|-------------|
| 2004 | 5.4 |
| 2005 | 4.4 |
| 2006 | 4.4 |
| 2007 | 5.4 |
| 2008 | 5.7 |

Below are all the motor vehicle registrations in Baxter County for the past three years:

| <u>Year</u> | <u>Vehicles Registered</u> |
|-------------|----------------------------|
| 2006 | 52,566 |
| 2007 | 54,414 |
| 2008 | 55,951 |

Tourist travel expenditures in Baxter County for the past five years are as follows:

| <u>Year</u> | <u>Amount</u> |
|-------------|---------------|
| 2004 | 155,745,937 |
| 2005 | 167,193,769 |
| 2006 | 185,367,768 |
| 2007 | 194,969,950 |
| 2008 | 191,865,672 |

Travel generated local tax receipts in Baxter County from 2004 through 2008 are set forth below:

| <u>Year</u> | <u>Amount</u> |
|-------------|---------------|
| 2004 | 3,134,579 |
| 2005 | 3,367,000 |
| 2006 | 3,735,069 |
| 2007 | 3,591,033 |
| 2008 | 3,539,212 |

The number of tourists that visited Baxter County from 2004 through 2008 are set forth below:

| <u>Year</u> | <u>Number of Visitors</u> |
|-------------|-------------------------------|
| 2004 | 826,097 |
| 2005 | 859,302 |
| 2006 | 925,178 |
| 2007 | 949,557 |
| 2008 | 896,214 |

Jobs generated by tourism in Baxter County from 2004 through 2008 are set forth below:

| <u>Year</u> | <u>Number of Jobs</u> |
|-------------|---------------------------|
| 2004 | 2,225 |
| 2005 | 2,269 |
| 2006 | 2,357 |
| 2007 | 2,230 |
| 2008 | 2,170 |